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ABSTRACT

A chronology of the tuition tax credit legislation and a series of amendments to existing federal student aid programs during the second session of the 95th Congress is presented. In each chamber of Congress legislative activity proceeded along four routes: (1) authorizing legislation from the education committees (amendments to existing student aid programs); (2) authorizing legislation from the tax committees (tuition tax credits); (3) concurrent resolutions from the budget committees (FY 1979 Congressional spending limits); and (4) legislation from the appropriations committees (FY 1979 budget). The final outcome of the legislative process was the Middle Income Student Assistance Act (P.L. 95-566) that amends the Basic Educational Opportunity Grant Program and the Guaranteed Student Loan Program to make them more accessible to middle-income students. (Author/SH)

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FEDERAL STUDENT ASSISTANCE: LEGISLATIVE HISTORY, 95TH CONGRESS 2ND SESSION

by

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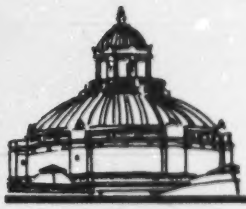

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SUMMARY

The 95th Congress, during its 2nd session, considered legislation to provide Federal financial assistance to students from middle-income families. This congressional activity proceeded along several legislative paths — amendments to existing student aid programs; creation of a tuition tax credit; provision of funding for these proposals. The final outcome of the process was the Middle Income Student Assistance Act (P.L. 95-566) which amends the Basic Educational Opportunity Grant Program and the Guaranteed Student Loan Program to make them more accessible to middle-income students.

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FEDERAL STUDENT ASSISTANCE: A CHRONICLE OF EVENTS IN THE 95TH CONGRESS 2ND SESSION

The 95th Congress, during its 2nd session, considered legislation to provide Federal assistance to students from middle-income families. The two major proposals were (1) tuition tax credits and (2) a series of amendments to existing Federal student aid programs. (See CRS multilith 78-87E entitled Comparison and Analysis of Alternative Proposals for Federal Student Assistance by John Karr and James Stedman for a detailed discussion of the different facets of these proposals; and CRS Issue Brief 77203 entitled Tax Allowances for Postsecondary Education Expenses and Alternative Proposals). In each chamber legislative activity proceeded along four routes:

(1) authorizing legislation from the education committees (amendments to existing student aid programs);

(2) authorizing legislation from the tax committees (tuition tax credits);

(3) concurrent resolutions from the budget committees (FY 1979 Congressional spending limits); and

(4) legislation from the appropriations committees (FY 1979 budget).

In the following pages we present a chronicle of this activity. A methodological note is in order. To make this paper as concise as possible we do not always provide complete descriptions of the action taken at the subcommittee level. In most instances the action at that level was endorsed at the full committee level; therefore the descriptions provided for the full committee often apply to the subcommittee activity.

This chronology, by being limited to the 2nd session of the 95th Congress, suggests that consideration of amendments to existing aid programs preceded consideration of tuition tax credits. In fact, in the 1st session of the 95th Congress, the Senate approved a tax credit measure for higher education tuition and attached it to H.R. 9346, Social Security Financing Amendments of 1977. During conference deliberation on the House and Senate versions of the amendments, the Senate tax credit proposal was dropped. It was generally acknowledged at that time that tuition tax credit legislation would receive more extensive consideration in the 2nd session. Thus, the proposals to amend existing aid programs and the Administration's agreement to request additional funding to implement such amendments were, in reality, responses to tuition tax credit legislation.

When estimated costs of legislation are specified, they are derived from relevant committee reports unless otherwise noted. In many instances, the reports include committee estimates of costs in addition to estimates prepared by the Congressional Budget Office. We present both sets of estimates because estimates of the costs of legislation after subsequent amendment may be drawn from one source or the other.

Authorizing Legislation -- Amendments to Existing Aid Programs

February 1, 1978 — S. 2473, College Opportunity Act of 1978, introduced. The bill would lower to 10.5 percent the percentage of discretionary income a student's parents are expected to contribute toward educational expenses under the Basic Educational Opportunity Grant Program. (For academic year 1978-79, 20 percent of the first $5,000 in discretionary income and 30 percent of the remainder is expected to be contributed toward education costs.)

February 8, 1978 — President Carter proposed changes in existing Federal student aid programs to address needs of middle-income students in higher education. These changes were estimated by the administration to cost approximately $1,462 million. Carter's proposal would

(1) guarantee $250 to all undergraduate higher education students through the Basic Educational Opportunity Grant Program;

(2) increase the minimum funding level for the College Work-Study Program from $237.4 million to $600 million; and

(3) raise the income level at which a student and his family are eligible for interest subsidy payments under the Guaranteed Student Loan Program from $25,000 to $40,000 adjusted family income.

February 8, 1978 — Carter proposal introduced in the House as H.R. 10854, Middle Income Student Assistance Act of 1978.

February 10, 1978 — Carter proposal of February 8 introduced in the Senate as S. 2538, Middle Income Student Assistance Act of 1978.

February 10, 1978 -- S. 2539, College Opportunity Act of 1978, introduced. This bill, as introduced, would lower to 14 percent the percentage of discretionary income a student's parents are expected to contribute toward educational expenses under the Basic Educational Opportunity Grant Program. It also would raise the minimum level of funding for the College Work-Study Program from $237.4 million to $600 million; and remove the income eligibility requirement for interest subsidy under the Guaranteed Student Loan Program.

February 22, 1978 -- S. 2539 amended and approved by the Senate Subcommittee on Education, Arts and Humanities.

February 28, 1978 -- S. 2539 reported by the Committee on Human Resources. As reported, S. 2539 would make the following changes in existing aid programs.

(1) Lower to 10.5 percent the percentage of discretionary income a student's parents are expected to contribute toward educational expenses under the Basic Educational Opportunity Grant Program. According to the Congressional Budget Office, the FY 1979 increased budget authority over current policy for this change was $1,381 million. This is an increase of $1,133 million in FY 1979 funding over FY 1978 funding.

(2) Raise the minimum funding level for the Supplemental Educational Opportunity Grant Program from $130,093,000 to $370 million in FY 1979 and to $450 million in subsequent years.

(3) Raise the minimum funding level for the College Work-Study Program from $237.4 million to $500 million.

(4) Remove the income test for automatic eligibility for Federal interest payments on Guaranteed Student Loans.

February 28, 1978 -- H.R. 10854 amended and approved by the House Subcommittee on Postsecondary Education.

March 3, 1978 -- H.R. 11274, a clean bill reflecting the action on H.R. 10854 of the House Subcommittee on Postsecondary Education, was introduced.

March 14, 1978 -- H.R. 11274 reported by the Education and Labor Committee. The Basic Educational Opportunity Grant Program would be amended to reduce to 10.5 percent the portion of discretionary income expected to be contributed by parents toward education expenses. The Congressional Budget Office estimate of FY 1979 increased budget authority over current policy for this amendment was $1,512 million, or $1,264 million in additional FY 1979 funding over FY 1978 funding. It should be noted that, unlike S. 2539, the House bill as reported made changes in how independent students would be treated, resulting in increased program costs. In the event the Basic Grant Program were not fully funded the percentage would rise to 12 percent. If the program were not fully funded at 12 percent, grants would be reduced under a schedule protecting the largest grants. The bill would raise the minimum funding level for the Supplemental Educational Opportunity Grant

Program from $130,093,000 to $340,093,000 for FY 1979 and to $450 million for FY 1980. The minimum funding level for the College Work-Study Program would be raised from $237.4 million to $520 million for FY 1979, and to $600 million for FY 1980. H.R. 11274 would remove the income test for the automatic payment of Federal interest subsidy on Guaranteed Student Loans.

March 20, 1978 -- The House rejected an effort to consider H.R. 11274 under a suspension of the rules.

August 16, 1978 -- The Senate passed S. 2539, College Opportunity Act of 1978, without amendment.

August 23, 1978 -- During consideration of S. 1753, the Education Amendments of 1978, the Senate agreed to an amendment to reduce tuition tax credits allowed under the Internal Revenue Code by any amounts received from the Basic Educational Opportunity Grant Program and the Supplemental Educational Opportunity Grant Program. (H.R. 12050, as passed by the Senate, contained this same provision. See next section.) Also, the Senate agreed to an amendment to S. 1753 modifying the Basic Educational Opportunity Grant Program's assessment rate on parental discretionary income to protect the entitlements of previously eligible students, if S. 2539 or similar legislation were enacted. According to the amendment's sponsors, if the Basic Grant Program

were amended to expect a reduced portion of parental discretionary income as contribution toward education costs and the program were not fully funded, the current law requires that the all eligible students receive reduced awards. Thus, some students might receive smaller grants than they would had the discretionary income assessment rate not been reduced. The amendment specifies that the Commissioner of Education is to adjust the assessment rate to protect the size of grants for such students.

October 14, 1978 -- The House agreed to an amended version of H.R. 11274, and then passed S. 2539 with the language of H.R. 11274 inserted in lieu of the Senate-passed language of that bill. The resulting House bill melded provisions of the Middle Income Student Assistance Act (H.R. 11274) with provisions of the College Opportunity Act (S. 2539). Entitled the Middle Income Student Assistance Act, the House-passed version of S. 2539 authorized: (1) a 10.5 percent assessment on parental discretionary income for the Basic Grant Program (as contained in the version of S. 2539 passed by the Senate on August 16); (2) a modified reduction schedule protecting the largest grants in the event of less than full funding (as contained in the version of

H.R. 11274 agreed to by the House); (3) changes in treatment of independent students (as contained in H.R. 11274); (4) an increase in the minimum funding level required for Supplemental Educational Opportunity Grants to $370 million in FY 1978 (as in the Senate-passed version of S. 2539); (5) an increase in the minimum funding level required for the College Work-Study Program to $500 million in FY 1980 (as in the Senate-passed version of S. 2539); and (6) the elimination of any family income consideration in determining eligibility for interest subsidy under the Guaranteed Student Loan Program (as in both S. 2539 and H.R. 11274).

October 14, 1978 -- The Senate agreed to the House amendments to S. 2539 and passed the bill.

November 1, 1978 -- The President signed the Middle Income Student Assistance Act into law (Public Law 95-566).

Authorizing Legislation -- Tax Credits

February 28, 1978 — The Senate Finance Committee reported H.R. 3946, Tuition Tax Relief Act of 1978. (H.R. 3946, as passed by the House, temporarily suspended the import duty on certain wool. The Finance Committee struck the language of the House bill.) The Tuition Tax Relief Act would be phased-in in three stages. First stage, effective August 1, 1978, would allow a 50 percent credit for tuition and fees of full-time undergraduate postsecondary education students, not to exceed $250 per student. Second phase, effective August 1, 1980, would increase the maximum credit to $500 and extend coverage to students in elementary and secondary schools. Third phase, effective August 1, 1981, would extend the tax credit to expenses incurred by part-time and graduate students. The Committee estimated the costs of the tax credits to be:

$39 million in FY 1978;
$916 million in FY 1979;
$1,418 million in FY 1980;
$2,835 million in FY 1981;
$4,479 million in FY 1982;
$5,290 million in FY 1983.

Congressional Budget Office estimates were not included in the Senate report.

April 17, 1978 -- The House Ways and Means Committee reported H.R. 12050, Tuition Tax Credit Act of 1978. The bill would provide a tax credit for 25 percent of the tuition expenses of undergraduate postsecondary education students enrolled on at least a half-time basis. Beginning August 1, 1978, the bill would allow a credit of up to $100 per eligible student. That maximum credit would rise to $150 in calendar year 1979 and $250 in calendar year 1980. The program would terminate after December 31, 1980. The Committee estimated the revenue reductions to be:

$16 million in FY 1978;
$417 million in FY 1979;
$780 million in FY 1980;
$896 million in FY 1981.

Congressional Budget Office submitted the following cost estimates

$15 million in FY 1978;
$374 millionin FY 1979;
$612 million in FY 1980;
$657 million in FY 1981.

June 1, 1978 -- House debated and agreed to H.R. 12050, Tuition Tax Credit Act of 1978. As amended by the House, the bill would provide tax credits for tuition expenses to both postsecondary students and elementary and secondary students. For postsecondary students enrolled on at least a half-time basis, a tax credit of up to $100 in calendar year 1978, $150 in 1979

and $250 in 1980 would be provided. Elementary and secondary students would be eligible for a tax credit of up to $50 for calendar year 1978 and $100 for 1979 and 1980. No credit could exceed 25 percent of tuition expenses. According to the sponsor of the amendment to include elementary and secondary students, the estimated total cost of the bill as amended would be $25 million in FY 1978, $635 million in FY 1979, $1,130 million in FY 1980, and $1,206 million in FY 1981.

August 4, 1978 — The Senate Appropriations Committee submitted a report on H.R. 3946, recommending that the bill not pass. H.R. 3946 was referred to the Appropriations Committee because it provided for refundable tax credits (payments from the Treasury to taxpayers whose tax liability was less than the tuition tax credits for which they were eligible). The amount to be so refunded was estimated to exceed the Finance Committee's allocation of new spending authority for FY 1979. Thus, as required by the Congressional Budget and Impoundment Control Act of 1974, the bill was referred to the Appropriations Committee for recommendations.

August 4, 1978 — The Senate Finance Committee reported H.R. 12050, as amended. H.R. 12050 following House passage was referred to the Finance Committee for consideration.

Effective for tuition and fees paid after July 31, 1978, the bill, as reported, contained the following major provisions.

(1) For postsecondary education, the bill authorized a 50 percent credit for up to $500 in undergraduate tuition and fees for education provided before October 1, 1980 (equal to a maximum credit of $250), and a 50 percent credit for up to $1000 in undergraduate tuition and fees for education provided after September 30, 1980 (equal to a maximum credit of $500).

(2) For elementary and secondary education, the bill provided a 50 percent credit for up to $500 in tuition and fees paid or incurred after September 30, 1980 (equal to a maximum credit of $250).

(3) Only tuition and fee expenses incurred by full-time students would be eligible for the credit prior to October 1, 1980. Half-time students' tuition and fee expenses would be eligible for a credit if incurred or paid after September 30, 1980.

(4) The tuition tax credits must be reduced directly by any amounts received by students from the Basic Educational Opportunity Grant Program and the Supplemental Educational Opportunity Grant Program.

(5) An "expedited" review of the constitutionality of the statute was provided for, as well as a report

on the civil rights enforcement of the Internal Revenue Service.

The Committee estimated that tuition tax credit provided by H.R. 12050 would result in the following tax expenditures:

$25 million in FY 1978;
$578 million in FY 1979;
$997 million in FY 1980;
$1,848 million in FY 1981;
$2,820 million in FY 1982;
$2,888 million in FY 1983.

The Congressional Budget Office estimates of the tax expenditures required were:

$21 million in FY 1978;
$491 million in FY 1979;
$804 million in FY 1980;
$1,895 million in FY 1981;
$2,646 million in FY 1982;
$2,761 million in FY 1983.

August 7, 1978 -- The Senate Budget Committee reported unfavorably S. Res. 524, to waive section 303(a) of the Congressional Budget and Impoundment Control Act of 1974 with respect to H.R. 3946. The Committee recommended that the Senate not pass the resolution. According to the Committee's report, because H.R. 3946 provided new spending authority (refundable tax credits) for fiscal years for which no first concurrent budget resolution had been adopted and also resulted in a decrease in revenues for FY 1980, a year for

which no first concurrent budget resolution had been adopted, a waiver of section 303(a) of the Budget Act was needed before H.R. 3946 could be approved by the Senate.

August 15,1978 -- Following four days of consideration, the Senate passed H.R. 12050 with amendments. Tuition tax credits under the bill would be limited to postsecondary education expenses. No credits would be provided for tax years beginning after December 31, 1983. According to the sponsor of the amendment which limited the credit to postsecondary tuition and fees, the estimated cost of the bill would be:

$21 million in FY 1978;
$491 million in FY 1979;
$704 million in FY 1980;
$1,141 million in FY 1981;
$1,409 million in FY 1982;
$1,523 million in FY 1983.

(These estimated costs apparently were based in part on Congressional Budget Office cost estimates-- see the August 4, 1978 entry for H.R. 12050.)

August 23, 1978 -- See entry for same date in section entitled Authorizing Legislation -- Amendments to Existing Aid Programs. Senate action on S. 1753, Education Amendments of 1978, included amendment affecting tax credits.

October 2, 3, 1978 -- Conference committee report on H.R. 12050 filed in Senate and House respectively. Conferees agreed to limit credit to 35 percent of postsecondary education tuition up to a maximum amount of:

$100 in calendar year 1978;

$150 in calendar year 1979;

$250 in calendar year 1980;

$250 in calendar year 1981.

The credit would not be refundable. Only full-time, undergraduate students would be eligible through calendar year 1979; after which year half-time undergraduates become eligible. Any nontaxable scholarship or educational allowance is to offset tuition expenses and not be considered as tuition paid by the taxpayer. The tax credit is not to be considered as Federal assistance to educational institutions. The conferees provided for an expedited review of the constitutionality of the credit.

According to the Congressional Budget Office, the estimated tax expenditures required by the conference agreement would be:

$334 million in FY 1979;

$516 million in FY 1980;

$966 million in FY 1981;

$828 million in FY 1982.

October 6, 1978 -- The Senate agreed to an amendment to H.R. 13511, Revenue Act of 1978, which added tuition tax credits to the Internal Revenue Code. The language of the amendment was the same as agreed to in the conference on H.R. 12050 (see entry for October 2, 3, 1978).

October 12, 1978 -- The House voted to recommit the conference report on H.R. 12050.

October 13, 1978 -- A new conference report on H.R. 12050 filed in the House. The conference agreement would make secondary school tuition expenses eligible for the tuition tax credit. The maximum amount of the credit for secondary school tuition would be $50 in calendar year 1978 and $100 in calendar year 1979, 1980 or 1981. The other provisions of the conference report described in the October 2, 3, 1978 entry above were maintained in this new report.

October 15, 1978 -- The conference committee on the Revenue Act of 1978 reported out its version of the act without the tuition tax credit amendment approved by the Senate (see entry for October 6, 1978).

October 15, 1978 -- The Senate voted to recommit the second conference report on H.R. 12050 (see entry for October 13, 1978), ending its chances for passage during the 95th Congress.

First Concurrent Resolution on the Budget — FY 1979

April 14, 1978 — The House Budget Committee reported H. Con. Res. 559, First Concurrent Resolution on the Budget — Fiscal Year 1979. The Committee approved $1,421 million in budget authority to accomodate the provisions of the Middle Income Student Assistance Act as reported by the House Education and Labor Committee.

April 14, 1978 — The Senate Budget Committee ordered S. Con. Res. 80 (First Concurrent Resolution on the Budget — FY 1979) reported to the Senate. Committee would allow a $500 million reduction in revenue for tax credits for college students. This amount was based on a Congressional Budget Office estimate of the revenue losses for H.R. 3946 as reported by the Senate Finance Committee.

April 26, 1978 — The Senate agreed to S. Con. Res. 80. The tax credit provision was not amended.

May 4, 1978 — The House agreed to an amendment to H. Con. Res. 550 decreasing Federal revenues by $635 million to provide tuition tax credits for elementary, secondary and higher education students. According to the amendment's sponsor, this was the amount the Joint Committee on Taxation estimated would fund a credit for 25 percent of tuition expenses with a maximum credit of $150 for college students and a maximum of $100 for elementary and secondary students.

May 10, 1978 — The House agreed to H. Con. Res. 559. S. Con. Res. 80 passed in lieu of H. Con. Res. 559.

May 15, 1978 — The Senate agreed to the conference report on S. Con. Res. 80 and concurred in the House amendment to S. Con. Res. 80 with an amendment. A conference agreement on tuition tax credits and alternative middle-income student assistance funding proposals provided $300 million in revenue reduction for tuition tax credits and $700 million in budget authority for alternative proposals.

May 17, 1978 — The House agreed to the Senate amendment to the House amendment to S. Con. Res. 80.

Second Concurrent Resolution on the Budget — FY 1979

August 8, 1978 — The House Budget Committee reported H. Con. Res. 683, Second Concurrent Resolution on the Budget — Fiscal Year 1979. The resolution as reported included $1.4 billion to fund middle-income student amendments to existing student aid programs. In addition, the Committee's revenue estimates were reduced by $1.6 billion to accommodate the effects of several tax measures, among which might be a tuition tax credit.

August 16, 1978 — The House agreed to H. Con. Res. 683 as amended. The tuition tax credit and available-income students assistance amounts were unchanged.

August 18, 1978 — The Senate Budget Committee reported S. Con. Res. 104, Second Concurrent Resolution on the Budget — FY 1979. The Committee-reported bill did not recommend funding for the middle-income student assistance alternatives under consideration; nor did it include specific funding for a refundable tax credit. (The Committee did recommend funding at a level sufficient to permit the Basic Grant Program to make $1800 grants.) From the Committee Report it appears that the resolution assumed a reduction in revenues of $1.2 billion to accommodate certain tax measures, among which might be a tuition tax credit.

September 6, 1978 -- The Senate agreed to H. Con. Res. 683 after inserting in lieu thereof the language of S. Con. Res. 104, as reported.

September 20, 21, 1978 -- The conference committee report on H. Con. Res. 683, filed in House and Senate, respectively. In the report the conferees advised that Congress should choose between tuition tax credits and amendments to existing student aid programs, and not enact both. The conferees recommended $1.0 billion for the student aid program amendments and revenue reductions which could be used to accommodate tuition tax credits.

September 21, 1978 -- The House agreed to the conference report on H. Con. Res. 683.

September 23, 1978 -- The Senate agreed to the conference report on H. Con. Res. 683.

Appropriations Legislation

May 4, 1978 -- The House Labor-HEW Appropriations Subcommittee approved FY 1979 funding in H.R. 12929 (FY 1979 Labor-HEW Appropriations) for student aid programs in amounts sufficient to fund those portions of the Committee-reported H.R. 11274 not requiring statutory action.

June 1, 1978 -- The House Appropriations Committee approved and reported H.R. 12929. Funding for student aid programs set a level sufficient to fund the Committee-reported H.R. 11274 (those portions not requiring legislative action). The following amounts were approved: Basic Educational Opportunity Grants -- $3,400 million; Supplemental Educational Opportunity Grants -- $340.1 million; College Work-Study -- $520 million; Guaranteed Student Loans -- $750,814,000.

June 13, 1978 -- The House passed H.R. 12929. Committee-approved funding levels for student assistance programs not amended.

June 22, 1978 -- The Senate Labor-HEW Appropriations Subcommittee approved FY 1979 funding for Federal student aid programs in H.R. 12929, deferring consideration of the House-approved funding for the Basic Educational Opportunity Grant Program. Other student assistance programs were funded as follows: Supplemental Educational Opportunity Grants --

$340.1 million; College Work-Study -- $600 million; Guaranteed Student Loans -- $738.5 million.

August 16, 1978 -- The Senate Appropriations Committee reported H.R. 12929. The following amounts for FY 1979 were approved:

Basic Educational Opportunity Grants -- $2,167.5 million;

Supplemental Educational Opportunity Grants -- $340.1 million;

College Work-Study -- $600 million;

Guaranteed Student Loans -- $733,314,000.

The recommended amounts for the Basic Grant and Guaranteed Loan Programs did not contain funding for middle-income student aid initiatives.

September 27, 1978 -- The Senate passed H.R. 12929. Committee-approved funding levels for student assistance programs were not amended.

October 6, 1978 -- Conference report on H.R. 12929 filed in the House. The conferees agreed to appropriate $2,600 million for Basic Educational Opportunity Grants (1979-80 academic year); and specified that the Family Contribution Schedule for that year must provide an income assessment rate of not more than 10.5 percent, maintain current treatment of independent students, and not reduce the maximum grant below $1,800. The conferees also agreed that, if the appropriation were

not sufficient to fully fund the program, a modified reduction schedule must be used, protecting the largest grants. This reduction schedule is the same as that provided in the Middle Income Student Assistance Act (P.L. 95-566). The following amounts for FY 1979 were agreed upon:

Supplemental Educational Opportunity Grants -- $340.1 million;

College Work-Study -- $550 million;

Guaranteed Student Loans -- $714,413,000.

October 12, 1978 -- The House agreed to the conference report, but insisted on its amendment to a Senate amendment regarding abortions.

October 12, 1978 -- The Senate agreed to the conference report with a further amendment regarding abortions.

October 13, 1978 -- The Senate requested return of the measure from the House.

October 13, 1978 -- The House returned measure to the Senate.

October 14, 1978 -- The House agreed to the Senate amendment.

October 18, 1978 -- The President signed the bill (Public Law 95-480).